

## Message Text

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ORIGIN NEA-09

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 OMB-01 AID-05

XMB-02 CIAE-00 INR-07 NSAE-00 CIEP-01 OPIC-03 L-02

(ISO) R

DRAFTED BY NEA/AFNDLMACK:CFE

APPROVED BY NEA/AFN:MWWILEY

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R 112119Z FEB 75

FM SECSTATE WASHDC

TO AMEMBASSY TUNIS

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E.O. 11652:N/A

TAGS: BDIS, TS

SUBJECT: N.P.K. ENGRAIS TAX DISPUTE

FOR LOGAN FROM NEA/AFN, MACK

1. RICHARD ODENCE OF FREEPORT MINERALS VISITED DEPTOFF  
FEBRUARY 11 TO SEEK INFORMATION ON NEW TUNISIAN TAX  
WHICH COMPANY UNDERSTANDS IS BEING LEVIED ON N.P.K.  
ENGRAIS. FREEPORT MINERALS IS PARENT COMPANY OF FREE-  
PORT INTERNATIONAL, WHICH OWNS ABOUT 14 PERCENT OF EQUITY  
IN N.P.K. ENGRAIS. OTHER MAJOR SHAREHOLDERS ARE SUPRA  
(SWEDISH) AND IFC.

2. REPORTED TAX IS QUOTE PRELEVEMENT CONJONCTUREL UNQUOTE  
EMBODIED IN GOT DECREE OF NOVEMBER 14, 1974 WHICH WAS  
SIGNED BY PRESIDENT BOURGUIBA ON DECEMBER 25, 1974.  
FREEPORT HAS NOT BEEN ABLE TO GET COPY OF DECREE. THEY  
UNDERSTAND, HOWEVER, THAT THIS IS SOME KIND OF EXCESS  
PROFITS TAX AND THAT THE FIRST PAYMENT WILL BE DUE ON  
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FEBRUARY 25. THE TAX IS TO BE TD 20 PER TON OF TRIPLE

SUPERPHOSPHATE.

3. ODENCE NOTED THAT N.P.K. ENGRAIS HAS CONVENTION  
WITH GOT WHICH EXEMPTS IT FROM ANY NEW TAXES FOR FIRST

FIFTEEN YEARS OF PRODUCTION AND THAT PRODUCTION BEGAN  
NO EARLIER THAN 1965. ODENCE FEELS THAT GOT IS TAKING  
ADVANTAGE OF NEWLY PROSPEROUS POSITION OF N.P.K. ENGRAIS  
FOLLOWING 10 YEARS OF VERY LEAN PROFITS. ODENCE ALSO  
SUSPECTS THAT TAX IS BEING APPLIED IN DISCRIMINATORY  
MANNER, I.E., THAT IT WOULD NOT BE APPLIED TO NEW  
INVESTORS UNDER LAW OF APRIL 1972.

4. MATTER WAS RAISED WITH AYARI BY IFC DURING AYARI  
VISIT TO WASHINGTON IN JANUARY. AYARI SAID HE UNINFORMED  
BUT PROMISED TO LOOK INTO IT. ODENCE OBSERVED THAT EFFECT  
OF THIS TAX, WHEN KNOWN TO INDUSTRY AT LARGE, WOULD  
COUNTER GOT EFFORT TO STIMULATE FOREIGN PRIVATE  
INVESTMENTS.

5. NEA/AFN WOULD APPRECIATE KNOWING MORE ABOUT THIS.  
FRENCH TERM OF PRELEVEMENT CONJONCTUREL DOES NOT HAVE  
LITERAL MEANING CLOSE TO WHAT ODENCE UNDERSTANDS IT  
TO REALLY MEAN. SPECIFICALLY, DOES THIS LEVY APPLY  
TO N.P.K. ENGRAIS? WOULD IT APPLY TO OTHER COMPANIES  
INVOLVED IN PROCESSING TUNISIAN RAW MATERIALS? IS  
ANYONE IN GOT SEIZED WITH ISSUE OF ITS POSSIBLE CONFLICT  
WITH CONVENTION BETWEEN N.P.K. ENGRAIS AND GOT? NEA/AFN  
WOULD ALSO LIKE TO OBTAIN COPY OF DECREE FOR FREEPORT  
MINERALS. ALTHOUGH ODENCE ACKNOWLEDGED THIS WAS  
ESSENTIALLY A TASK THAT N.P.K. ENGRAIS SHOULD PERFORM  
FOR ITS STOCKHOLDERS, THE GESTURE WOULD BE APPRECIATED.

6. WE EXPECT THAT ODENCE OR ANOTHER COMPANY OFFICIAL  
WILL BE VISITING TUNISIA IF DISPUTE CANNOT BE RESOLVED  
SOON. ODENCE WAS MARKEDLY UPSET TO HEAR THAT AYARI  
LEAVING GOT FOR NEW JOB SINCE HE WAS COUNTING ON HIM  
TO FOLLOW-UP ON IFC DEMARCHE. INGERSOLL

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